

ROPES & GRAY

ROPES & GRAY LLP
ONE METRO CENTER 700 12TH STREET, NW SUITE 900 WASHINGTON, DC 20005-3948 202-508-4600 F 202-508-4650
BOSTON NEW YORK SAN FRANCISCO WASHINGTON, DC

September 10, 2004

VIA FEDERAL EXPRESS

Rhonda Vosdingh, Esq.
Mark Shonkwiler, Esq.
Office of General Counsel
Enforcement Division
U.S. Federal Election Commission
999 E Street, NW, Room 623
Washington, DC 20463-0002

PRE-MUR # 426

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

17 SEP 13 AM 11:39

Re: Carter's, Inc.: Mistaken Reimbursement of Campaign Contributions

Dear Ms. Vosdingh and Mr. Shonkwiler:

Enclosed please find an original and two copies of the submission on behalf Carter's Inc. and Individuals regarding the above-referenced matter.

Please call with any questions.

Sincerely,



David Overlock Stewart

Enclosures

cc: Noel Hillman, DOJ
B. Gibbons, Carters, Inc.

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PRE-MUR # 426

**SUBMISSION
TO THE
FEDERAL ELECTION COMMISSION
ON BEHALF OF
CARTER'S, INC.
AND
INDIVIDUAL EMPLOYEES**

**David Overlock Stewart
ROPES & GRAY, LLP
700 12th Street, NW
Suite 900
Washington, DC 20005-3948
(202) 508-4600**

**R. Matthew Martin
PAUL, HASTINGS, JANOFSKY &
WALKER, LLP
600 Peachtree Street, NE
Suite 2400
Atlanta, GA 30308-2222
(404) 815-2400**

September 10, 2004

25044111472

MEMORANDUM

DATE: September 10, 2004

TO: Rhonda Vosdingh, Esq. COPY TO: Noel Hillman, DOJ
Mark Shonkwiler, Esq. B. Gibbons,
Carters, Inc.

FROM: David Overlock Stewart
R. Matthew Martin

SUBJECT: Carter's, Inc.: Mistaken Reimbursement of Campaign
Contributions

This submission will supplement the voluntary disclosure made to Mr. Shonkwiler on July 29, concerning the mistaken reimbursement by Carter's, Inc. (Carter's, or the Company) of four individual contributions made to the Chambliss for Senate campaign in March 2002.¹ This submission is made on behalf of Carter's and the four individuals who received the mistaken reimbursements: Frederick Rowan, Michael Casey, Charles Whetzel, and David Brown.

As described in the July 29 meeting in your office, the contributions were made through the purchase of tickets for a speech to be given by President Bush. The Carter's officials involved in making those contributions, which totaled \$8,000, did not understand that the payments to attend the event represented campaign contributions, or that federal law barred company reimbursement of the amounts paid for those tickets. When the reimbursements were identified in an internal review earlier this year, Carter's took immediate remedial action:

- The Company directed counsel to disclose the error to federal enforcement officials;

¹By telephone, counsel for Carter's thereafter provided a very summary description of the situation to Mr. Hillman of the Public Integrity Section of the Criminal Division of the U.S. Department of Justice. At Mr. Hillman's suggestion, we are providing him a copy of this submission for his review.

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- The Company directed the individuals involved to repay the amount of the reimbursed contributions, which they have done; and
 - The Company reissued its policy on expense reimbursement, which plainly bars reimbursement of campaign contributions, and has reinforced that policy with senior management.

Along with this memorandum, which will describe in greater detail the events involved, we are also submitting today:

- Affidavits from the four Carter's executives (Frederick Rowan, Michael Casey, Charles Whetzel, and David Brown) who made the campaign contributions that were reimbursed;
- Affidavits from the spouses of those executives, who also attended the Bush speech;²
- An affidavit from Robin Owen, Mr. Rowan's executive assistant, who assisted with acquiring the tickets to the speech;
- An affidavit from the social friend of Mrs. Bernice Rowan (Susan Riepenhoff) who first presented the possibility of attending the event;
- An affidavit from a fifth Carter's executive (Joseph Pacifico) who attended the Bush speech but, as far as can be determined, received no reimbursement for the cost of his ticket.
- As attachments to certain of the affidavits, and in Exhibit A to this memorandum, relevant documents relating to this situation, including e-mails, expense reports and cancelled checks.
- The Company's policy on expense reimbursement that was in place at the time of these events, plus a revised version of that policy that was issued following the review of this incident. Ex. B.

I. Background: Carter's, Inc.

Carter's, headquartered in Atlanta, has been producing children's apparel for 139 years and is the largest branded marketer in that industry. The Company sells its children's

²Because Mrs. Rowan is traveling in Alaska, her affidavit is not signed, though she has approved the content of it. We will provide a signed version upon her return.

apparel to wholesale retailers and direct to consumers through its 170 over stores, and through an online website. Over four thousand people are employed by Carter's.

Carter's has no history of participation in the political process. The Company does not have significant sales to any federal agencies, nor does it participate in any federally funded programs. The Company has never organized a political action committee and makes no campaign contributions in any state or local contests that permit corporate donations.

As of March 2002, Carter's had in effect a nine-page "Travel Expense Policy" (issued in 1991), which is Exhibit B(1) in the Appendix to this Memorandum. The penultimate entry on the ninth page of that nine-page document, under the heading "Non-reimbursable Expenses," states that the Company will not reimburse "Contributions to political campaigns, organizations, or activities." A revised policy that took effect on August 6 is renamed "Expense Reimbursement and Travel Policy," and specifies on its second page that the Company will not reimburse contributions by employees, a prohibition which is explained on page 8 of the same document to include both charitable contributions and political contributions. Ex. B(2).

II. The Speech by President Bush

Fred Rowan, the Chairman and CEO of Carter's, learned from his wife Bernice in March 2002 that President Bush would be in Atlanta at the end of the month to give a speech.³ Mrs. Rowan had been told about the speech by a social friend, Susan Riepenhoff, whose daughter was then working in the White House.⁴ Mr. Rowan reacted positively to the news, thinking immediately that the event would be a good motivation-building opportunity for Carter's senior management.⁵ Mr. Rowan suggested to four other executives of the Company that they all attend the President's speech, with spouses, as a group.⁶ He also asked his wife to coordinate the arrangements for the event with his executive assistant, Robin Owen.⁷

Ms. Riepenhoff advised Bernice Rowan that the tickets had to be purchased with checks from the individuals who would

³ F. Rowan Aff., ¶ 2; B. Rowan Aff., ¶ 3.

⁴ B. Rowan Aff., ¶ 2; Riepenhoff Aff., ¶ 1.

⁵ F. Rowan Aff., ¶ 3; B. Rowan Aff., ¶ 3.

⁶ B. Rowan Aff., ¶ 3.

⁷ F. Rowan Aff., ¶ 3; M. Casey Aff., ¶ 2; D. Brown Aff., ¶ 2.

attend the event.⁸ This requirement was conveyed to the Carter's employees through an e-mail from Robin Owen which specified that the checks had to be made out to "Chambliss for Senate."⁹ Ms. Owen also assembled identification information (social security number and date of birth) for each employee and spouse who would be attending the event; that information, which was understood by the attendees to allow screening for the President's security, was faxed to Bernice Rowan to be delivered with the payment for the tickets.¹⁰

At roughly the same time, Fred Rowan had Ms. Owen send instructions to the other Carter's employees to submit the cost of the tickets for reimbursement by the Company.¹¹ Mr. Rowan viewed the tickets as an appropriate company expenditure because he saw the Bush speech as "an excellent team-building event of the sort I try to arrange for the management team from time to time."¹² Four of the Carter's employees submitted expense reimbursement requests as Mr. Rowan had suggested,¹³ and were reimbursed \$2,000 each.¹⁴ A fifth employee, Joseph Pacifico, does not recall if he was reimbursed for the cost of his ticket, and the company's internal review has found no evidence that he was.¹⁵

Fred Rowan carried home the checks from individual employees for the event tickets.¹⁶ Bernice Rowan, with Ms. Riepenhoff, brought the checks to a Chambliss campaign storefront on Peachtree Street in the Buckhead neighborhood of Atlanta, where they purchased the tickets for the speech.¹⁷ The group from Carter's -- Fred and Bernice Rowan, Michael and Deborah Casey, Charles and Shelley Whetzel, David and Merle

⁸ B. Rowan Aff., ¶ 4.

⁹ R. Owen Aff., ¶ 4; F. Rowan Aff., Att. 1.

¹⁰ F. Rowan Aff., Att. 1; Owen Aff., ¶ 3; F. Rowan Aff., ¶ 4; M. Casey Aff., ¶ 3.

¹¹ Owen Aff., ¶ 4; F. Rowan Aff., ¶ 6 & Att. 3; C. Whetzel Aff., ¶ 3.

¹² F. Rowan Aff., ¶ 6; M. Casey Aff., ¶ 4.

¹³ D. Brown Aff., Att. 2; M. Casey Aff., Att. 1; C. Whetzel Aff., Att. 2; Ex. A(1).

¹⁴ F. Rowan Aff., ¶ 6; C. Whetzel Aff., ¶ 3; D. Brown Aff., ¶ 4; M. Casey Aff., ¶ 4.

¹⁵ Pacifico Aff., ¶ 5.

¹⁶ Owen Aff., ¶ 5; B. Rowan Aff., ¶ 5.

¹⁷ Riepenhoff Aff., ¶ 3; B. Rowan Aff., ¶ 5.

Brown, and Joseph Pacifico -- attended the speech as a group. They found it "exciting" and were "thrilled" to attend.¹⁸

Despite plain indications that the Bush speech was a political fundraiser -- most notably, the checks were made out to "Chambliss for Senate" -- the Carter's employees generally did not think of the event in that light. Acknowledging that his view "may appear naïve in retrospect," Fred Rowan states that he did not think the ticket payments involved making political donations.¹⁹ Three of the other Carter's employees and all four of the spouses also did not appreciate that the Bush speech was a political fundraiser.²⁰ Only David Brown thought the event might be a fundraiser, but always discussed it with his colleagues simply as a speech or as dinner with President Bush.²¹ He, like the others, did not understand that the Company was legally barred from reimbursing the cost of the event tickets.²² The focus among the Carter's group was on the event as on the team-building experience, and the opportunity to see the President at close quarters.²³

None of the Carter's people spoke directly to anyone from the Chambliss campaign.²⁴ None of the four employees who received reimbursement of their ticket payments had made political contributions in the past, so they were generally unfamiliar with the rules and ordinary surrounding such payments.²⁵

III. 2004: Reversing the Reimbursements

A review of the Company's internal controls, conducted in the early summer of this year, identified the reimbursements of the Bush event costs as violating federal campaign finance laws.²⁶ That review also determined that the reimbursements violated company policy as it was in effect in March 2002.²⁷ For

¹⁸ F. Rowan Aff., ¶ 10; M. Casey Aff., ¶ 2; Pacifico Aff., ¶ 2.

¹⁹ F. Rowan Aff., ¶ 8.

²⁰ C. Whetzel Aff., ¶ 3; M. Casey, ¶ 5; S. Whetzel Aff., ¶ 3; D. Casey Aff., ¶ 2; M. Brown, ¶ 3; B. Rowan, ¶ 6.

²¹ D. Brown Aff., ¶ 4.

²² D. Brown Aff., ¶ 4; Pacifico Aff., ¶ 7.

²³ M. Casey Aff., ¶ 4; F. Rowan Aff., ¶ 6; M. Brown Aff., ¶ 3.

²⁴ F. Rowan Aff., ¶ 10.

²⁵ D. Brown Aff., ¶ 6; C. Whetzel Aff., ¶ 4; F. Rowan Aff., ¶ 11; M. Casey Aff., ¶ 5; see Exhibit B.

²⁶ M. Casey Aff., ¶ 6; F. Rowan Aff., ¶ 12.

²⁷ M. Casey Aff., ¶ 5.

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both reasons, the four employees were instructed to repay the reimbursements.²⁸ All have done so.²⁹ No other reimbursements of campaign contributions were identified during the internal review.

The company took two additional steps in response to this error. *First*, as a result of the internal review just completed, Carter's reissued the statement of its expense reimbursement policy, effective August 6 2004, accentuating that it would not reimburse any political contributions by employees. Ex. B(2). *Second*, Carter's instructed its counsel to disclose to federal enforcement officials the violation of campaign finance laws in connection with the reimbursements.³⁰

IV. Conclusion

Carter's recognizes that the events described above violate federal law, and that the Company had an obligation to know the campaign finance laws so it could avoid such violations. Nevertheless, there are important extenuating circumstances that we hope will be considered in your review:

- The episode revolved around a single public event, the Atlanta speech by President Bush, and in no way involved a pattern of conduct;
- The total amount involved, \$8,000, is relatively modest;
- The individuals involved in this situation had no experience with campaign finance matters and did not appreciate the fundraising character of the occasion; consequently, the situation involved mistakes, not the intentional circumvention of legal requirements;
- The Company took prompt remedial action upon identifying the violation, including (i) directing repayment of the reimbursed contributions, which has been completed, and (ii) revision and repromulgation of the company's expense policies; and
- The Company voluntarily disclosed the violation to both your office and to the U.S. Department of Justice.

²⁸ Ex. A(6).

²⁹ M. Casey Aff., ¶ 6; F. Rowan Aff., ¶ 12; C. Whetzel Aff., ¶ 5; D. Brown Aff., ¶ 5; see Exhibits A(2), A(3), A(4), A(5).

³⁰ F. Rowan Aff., ¶ 12.

Under all of these circumstances, we would urge that no formal enforcement action is warranted.

David O. Stewart

David Overlock Stewart
ROPES & GRAY, LLP
700 12th Street, NW
Suite 900
Washington, DC 20005-3948
(202) 508-4600

On behalf of Carter's, Inc.

R. Matthew Martin / RMS

R. Matthew Martin
PAUL, HASTINGS, JANOFSKY &
WALKER, LLP
600 Peachtree Street, NE
Suite 2400
Atlanta, GA 30308-2222
(404) 815-2400

On behalf of the individuals

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bcc: J. Freedman

25044111480

AFFIDAVIT OF DAVID A. BROWN

David A. Brown, being duly sworn, hereby deposes and says:

1. I am Executive Vice President-Operations for Carter's, Inc.

2. In March 2002, the Carter's executive officers and I attended a dinner event with our wives at which President Bush was a keynote speaker. Our Chief Executive Officer, Fred Rowan, had told us he learned about the speech from a social friend of his wife's, and asked if the executive officers would like to attend as a group with our wives. I viewed the event as a motivational and team-building effort by Carter's executive officers.

3. On March 25, 2002, I received an e-mail from Robin Owen, Fred Rowan's assistant, that the tickets to the event cost \$1,000 per person. My wife, Merle, wrote a check for \$2,000 for our ticket. Attachment 1. I gave this check to Ms. Owen, along with our social security numbers.

4. The executive officers and our wives attended the event together. After the event, I submitted the cost of the event for reimbursement as a business expense. Attachment 2. The dinner seemed like a fundraising event, but the executive officers and I never discussed it as such. We viewed and

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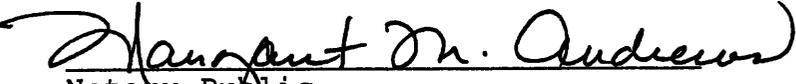
referred to it as a dinner with President Bush. I did not understand at the time that company reimbursement of the any campaign donation would violate federal election laws. I was also unaware that the Company had an internal policy of not reimbursing employees for political contributions.

5. Upon learning that the reimbursement violated federal election laws, I paid back the Company for the cost of the event. I also understand that the Company has revised its expense and related policies to prevent mistakes in the future.

6. I do not recall ever making a political contribution before this occasion.


David A. Brown

SUBSCRIBED and SWORN before me
this 9 day of September 2004.


Notary Public

My Commission expires: Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

JDA: [REDACTED]

Check Image Archive

May 4 2004

①

Page 1 of 1

Image View

04:24:48 PM

DAVID A BROWN
MERLE L BROWN

ATLANTA, GA 30327

1332

04-1/810
BRANCH 338

Date 3-25-02

Pay to the Order of Chambiss For Senate \$ 2000.00

two thousand

00 Dollars Security Features
100 Visible on back

WACHOVIA

Wachovia Bank, N.A.
Atlanta, GA 30383



EXPENSE
CODE

Investor's Account

For

Merle L Brown

25044111483

ENDORSE HERE:

X
PAY TO THE ORDER OF
WACHOVIA BANK
FOR DEPOSIT ONLY
CHAMBUSS FOR U.S. SENATE

DO NOT SIGN / WRITE / STAMP BELOW THIS LINE
FOR ELECTRONIC DEPOSIT OF THIS CHECK ONLY

FEDERAL RESERVE BOARD OF GOVERNORS OF THE UNITED STATES OF AMERICA
The following security features (and others) not listed exceed industry standards:

- Security Features
- Security Scan
- Microprint Signature Line
- Chemical Sensitivity
- Product Lines
- Document appearance if altered:
 - Absence or modification of "microprint" stream on back of check
 - Absence of tiny words or dotted lines
 - Chemical sensitivity spots appear with chemical sensitization
 - Absence of product lines

View Selection	Posting Date	Amount	Serial No.	Sequence No.	Source	Type	Status	Description
1	03/29/2002	\$2,000.00	[REDACTED]	[REDACTED]	Check	Debit	Post	CHECK

2

The William Carter Company

TRAVEL EXPENSE REPORT 2002



<u>EMPLOYEE NAME (LAST, FIRST, M.I. PRINT)</u> Brown, David A.		<u>WORK LOCATION</u> Midtown	<u>COST CENTER</u> 9110-7
<u>EMPLOYER'S SIGNATURE</u> <i>[Signature]</i>		<u>APPROVE SIGNATURES</u>	
<u>PERIOD COVERED</u> March 21 thru April 3, 2002		<u>SUPERVISOR</u> <i>[Signature]</i>	<u>SENIOR V.P.</u>

- Expense reports must be in ink or typewritten: Receipts must be attached and each report should cover a maximum period of one month.
- Reports must be submitted within 72 hours of return trip and every applicable item filled in clearly.
- Receipts are needed for all items.
- Section I of this report is to be used for employee's expenses.
- Auto: Personal Car - List mileage in appropriate column. Parking/tolls, list separately. Rental Car - List amount of bill plus gas purchased for rental in its column.
- Commercial Transportation: List Air, Taxi, Bus, Train/trains, and Limousine.
- Tips - Include taxi/meal tips with taxi and meal charges. All other tips should be included under category "Bugs/Tips"
- Lodging - Name of hotel and each days room expense (including tax) must be listed Separately.
- Section II - Entertainment: Is used for the total cost of a business meal and must include at least one non-employee. Entertainment expenditures must be shown separately in SECTION II.

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EXPENSES

- SECTION I**
- Travel
 - Meals
 - Home Phone Bills
 - Samples
 - Office Supplies
 - Postage
 - Misc
 - Subscriptions
 - Other
- SECTION II**
- Entertainment

SECTION BELOW MUST HAVE ACCOUNT NUMBER

1,719.04	11- 9110-7 - 504 - 001
90.38	11- 9110-7 - 504 - 002
104.10	11- 9110-7 - 503 - 001
	11- 9110-7 - 517 - 008
	11- 9110-7 - 501 - 011
	11- - - 501 - 012
	11- 9110-7 - 599 - 099
	11- 9110-7 - 506 - 001
	11- 9110-7
2,040.00	11- 9110-7 - 504 - 003

Total Expenses 3,953.52 (A)

ADVANCES

Cash Advance

Date: / / From:

Company Paid Expense

- Hotel
- Air
- Other
- Auto
- Total Advances

11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -

APR 09 2002

(B) OUTSTANDING ADVANCES OR COMPANY PAID ITEMS

MUST BE DEDUCTED AT THIS TIME

3,953.52 (A) LESS (B)

[Signature]

CARTER'S FINANCE

MAY-12-2004 14:41

203 926 1484 P.05/15

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AFFIDAVIT OF MERLE L. BROWN

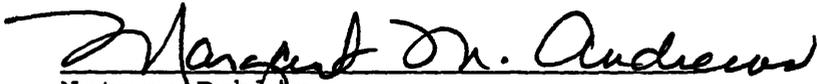
Merle Brown, being duly sworn, hereby deposes and states:

1. My husband, David Brown, is an executive with Carter's, Inc., in Atlanta.
2. In March 2002, Dave and I, along with the other executive officers of Carter's and their wives, attended a dinner in Atlanta with President Bush.
3. My husband told me that tickets for the event cost \$1,000 for each of us, and I wrote a check for that amount. Although the instructions were to make the check payable to "Chambliss for Senate," I did not think of the payment as a political contribution. Neither with my husband before the event, or with the other Carter's people at the event, was there any discussion of the event being a political fundraiser. We always considered the occasion a chance to see President Bush up close and hear him speak.
4. Also, I was not aware whether the Company's reimbursement of the expense violated federal election laws.

5. To the best of my knowledge, my husband and I had not made any political contribution before the George Bush speech.


Merle L. Brown

SUBSCRIBED and SWORN before me
this 9 day of September 2004.


Notary Public

My Commission expires: Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

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AFFIDAVIT OF DEBORAH CASEY

Deborah Casey, being duly sworn, hereby deposes and states:

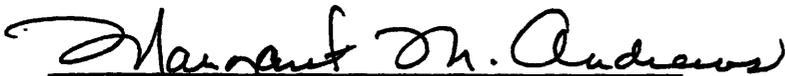
1. In March of 2002, my husband, Michael D. Casey, told me that Fred Rowan had tickets to see President Bush speak at a dinner in Atlanta. My husband told me that the Carter's senior executives and their wives were going to attend the event. I was unaware of the cost of the event but assumed it was a Company-related function.

2. My husband and I never spoke of the event as being political fundraiser or about any application of federal election laws to this situation.

3. To the best of my knowledge, my husband and I have never before made any political donation.


Deborah Casey

SUBSCRIBED and SWORN before me
this 9 day of September 2004.


Notary Public

My Commission expires: _____
Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

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AFFIDAVIT OF MICHAEL D. CASEY

Michael D. Casey, being duly sworn, hereby deposes and states:

1. I am the Executive Vice President—Finance and Chief Financial Officer of Carter's, Inc.

2. In March 2002, Fred Rowan, Carter's Chief Executive Officer, informed me and the other executive officers of the Company that President Bush was going to be speaking at a dinner in Atlanta. Fred asked if my wife and I would like to attend and stated he thought it would be a good experience for the executive officers. I was thrilled by the opportunity to attend the event.

3. I was advised by Mr. Rowan's secretary, Robin Owen, that tickets to the event were \$1,000 each. As she directed, I wrote a check for \$2,000 and delivered it to her. After diligently searching for the check, I was unable to find a copy of it. I also provided Ms. Owen with social security numbers for me and my wife. I assumed the personal checks and social security numbers were for security purposes.

4. The other executive officers and their wives and my wife and I attended the event together. I viewed the event as a

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team-building experience for the executive officers, which Mr. Rowan likes to organize now and then, and consequently submitted the cost for reimbursement by the company as a business expense. Attachment 1.

5. I can see now that the check for the event was made out to "Chambliss for Senate," and Mr. Chambliss did speak at the dinner, yet those facts did not at that time cause me to think of the event as a political fundraiser. I also did not understand that corporations could not make political contributions or that they could not reimburse their employees for making such contributions. Similarly, I did not then recall that the Company had a 1991 policy against getting reimbursed for political contributions. To the best of my knowledge, this was the only political contribution I have ever made.

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6. I learned earlier this year, through an internal review of the Company's internal controls, that this reimbursement violated federal election laws. The other executive officers and I have paid back to the Company the amount of the tickets. The Company has also implemented new expense and related policies to ensure errors like this do not happen again.

Michael D. Casey
Michael D. Casey

SUBSCRIBED and SWORN before me
this 9 day of September 2004.

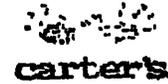
Margaret M. Andrews
Notary Public

My Commission expires: _____
Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005



The William Carter Company

TRAVEL EXPENSE REPORT 2002



<u>EMPLOYEE'S NAME (LAST, FIRST, MI) PRINT</u> Casey, Michael D.		<u>WORK LOCATION</u> Midtown	<u>COST CENTER</u> 9110-7
<u>EMPLOYEE'S SIGNATURE</u> <i>Michael D. Casey</i>		<u>APPROVAL SIGNATURES</u> SUPERVISOR <i>James K...</i>	
<u>PERIOD COVERED</u> December 2001 - March 2002		<u>SENIOR V.P.</u>	

- Expense reports must be in ink or typewritten; Receipts must be attached and each report should cover a maximum period of one month.
- Reports must be submitted within 72 hours of return trip and every applicable item filled in clearly.
- Receipts are needed for all items.
- Section I of this report is to be used for employee's expenses.
- Auto: Personal Car - List mileage in appropriate column. Parking/tolls, list separately.
Rental Car - List amount of bill plus gas purchased for rental in its column.
- Commercial Transportation: List Air, Taxi, Bus, Trains/Trams, and Limousine.
- Tips - Include taxi/meal tips with taxi and meal charges. All other tips should be included under category "Bogs/Tips"
- Lodging - Name of hotel and each days room expense (including tax) must be listed Separately.
- Section II - Entertainment: Is used for the total cost of a business meal and must include at least one non-employee. Entertainment expenditures must be shown separately in SECTION II.

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EXPENSES

- SECTION I
- Travel
 - Meals
 - Home Phone Bills
 - Samples
 - Office Supplies
 - Postage
 - Misc
 - Subscriptions
 - Other
- SECTION II
- Entertainment

SECTION BELOW MUST HAVE ACCOUNT NUMBER

3,506.17	11- 9110-7 - 504 - 001
308.21	11- 9110-7 - 504 - 002
299.68	11- 9110-7 - 503 - 001
	11- 9110-7 - 517 - 008
108.48	11- 9110-7 - 501 - 011
	11- - - 501 - 012
	11- 9110-7 - 599 - 099
	11- 9110-7 - 506 - 001
	11- 9110-7
2,000.00	11- 9110-7 - 504 - 003

Total Expenses

6,219.54 (A)

ADVANCES

Cash Advance

Date: / / From: _____

11 - 0001 - 1 - 353 -

11 - 0001 - 1 - 353 -

Company Paid Expense

- Hotel
- Air
- Other
- Auto
- Total Advances

11 - 0001 - 1 - 353 -

11 - 0001 - 1 - 353 -

11 - 0001 - 1 - 353 -

11 - 0001 - 1 - 353 -

(B) OUTSTANDING ADVANCES OR COMPANY PAID ITEMS

MUST BE DEDUCTED AT THIS TIME

6,219.54 (A)

LESS (B)

nt Due Employee (Company)

Casey

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AFFIDAVIT OF ROBIN OWEN

Robin Owen, being duly sworn, hereby deposes and states:

1. I am the executive assistant to Fred Rowan, Chairman and Chief Executive Officer of Carter's, Inc.

2. In March 2002, Mr. Rowan asked me to help facilitate the attendance by the executive staff and their wives at an event where President Bush was going to speak. Mr. Rowan told me that his wife, Bernice, had the details and that I should coordinate with her.

3. I called Mrs. Rowan, and she told me that her friend, Susan Riepenhoff, had informed her that the tickets, which were \$1,000 apiece, had to be paid for by personal check of each executive officer, made payable to Chambliss for Senate. She also advised me that we needed to provide the social security numbers and dates of birth of any person attending the dinner. We never spoke of the reasons behind these requirements, just that they were requirements to purchase the tickets.

4. After speaking to Mrs. Rowan, I acquired the necessary personal identification information for all of the people who would attend the event and sent those to her by fax. I also sent an e-mail to the executive officers indicating that they

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each should write a check for the amount of their tickets, made payable to Chambliss for Senate. I sent another e-mail to the executive officers on behalf of Mr. Rowan, and at his direction, indicating that the executives should submit the cost of the dinner with President Bush as a business expense. Mr. Rowan and I did not have any discussion about the reasons for this e-mail.

5. I received the checks from the executive officers for the tickets and delivered them to Fred. I understood that he was bringing them home to his wife.


Robin Owen

SUBSCRIBED and SWORN before me
this 2 day of September, 2004.


Notary Public

My Commission expires: _____
Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

25044111495

AFFIDAVIT OF JOSEPH PACIFICO

Joseph Pacifico, being duly sworn, hereby deposes and says:

1. I am the President of Carter's, Inc. In March 2002, I was the President-Marketing of Carter's, Inc.

2. In March 2002, the Carter's executive management team attended a dinner at which President Bush was a keynote speaker. The other members of the management team also brought their wives; I attended the event alone. Our Chief Executive Officer, Fred Rowan, had told us he learned about the speech from a friend of his wife, and suggested we all attend as a group. I was excited to go to the event, and viewed it as a good team-building experience by the management team.

3. On March 25, 2002, Robin Owen, Fred Rowan's assistant, sent out an e-mail, indicating that the tickets to the event cost \$1,000 per person. I wrote a check to Ms. Owen, along with my social security numbers.

4. The management team and wives attended the event together. I did not think one way or the other whether the event was a political fundraiser. The management team and I never discussed it as a fundraiser. We viewed and referred to it as a dinner with President Bush.

25044111496

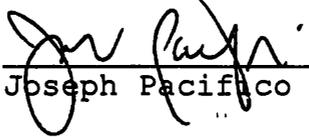
25044111497

5. Mr. Rowan also sent out an email instructing the management team to submit the cost of the event as a reimbursable business expense. I do not recall whether or not I submitted this for reimbursement. A diligent search of Company records has not produced an expense report from me relating to this event.

6. I did not understand at the time that federal election laws prohibited the Company from reimbursing any of the management team. I was also unaware that the Company had an internal policy of not reimbursing employees for political contributions.

7. I understand that the Company has revised its expense and related policies to prevent mistakes in the future.

8. I do not recall ever making a political contribution before.



Joseph Pacifico

SUBSCRIBED and SWORN before me
this 9 day of September 2004.



Notary Public

My Commission expires: Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

AFFIDAVIT OF SUSAN RIEPENHOFF

Susan Riepenhoff, being duly sworn, hereby deposes and says:

1. In March 2002, I mentioned to Bernice Rowan, a social friend, that President Bush would be speaking at a dinner here in Atlanta. I believe I asked her if she would be interested in attending the event, which would cost \$1,000 per person. She said she would talk the matter over with her husband.

2. Shortly thereafter, Ms. Rowan told me that she and her husband and several other people would like to attend the event. To the best of my recollection, I told her that the individuals attending the event would need to pay by personal check to "Chambliss for Senate," which was sponsoring the event. My husband and I previously had contributed to the Chambliss campaign.

3. To the best of my recollection, Ms. Rowan and I traveled together to a Chambliss campaign storefront on Peachtree Street in Atlanta to pay for and pick up the tickets for the Bush dinner. At that time, to the best of my recollection, we also provided to the sponsors of the event the social security numbers and dates of birth of the people who would be attending. I do not recall filling out any other forms

or paperwork for the Chambliss campaign in connection with this dinner.

4. I only remember speaking with Ms. Rowan, not with her husband or anyone else in their party, about the arrangements for attending the event.

Susan Riepenhoff
Susan Riepenhoff

SUBSCRIBED and SWORN before me
this 7 day of September, 2004.

Anne Marie Brown
Notary Public

My Commission expires: July 13, 2007

25044111499

AFFIDAVIT OF BERNICE ROWAN

Bernice Rowan, being duly sworn, hereby deposes and states:

1. My husband is Frederick J. Rowan, II, and he works at Carter's, Inc.

2. In March 2002 a friend, Susan Reippenhoff, informed me that President Bush was going to be in Atlanta to speak at a dinner, and that her daughter, who was working at the White House at the time, could get us tickets to the event. Ms. Reippenhoff and I discussed the event as an opportunity to see President Bush. We never discussed the event as being a fundraiser for the Senate campaign of Mr. Chambliss, and I did not appreciate that it was a fundraiser.

3. I mentioned the Bush event to my husband, who was very interested in it, and we decided we would go. My husband thought it would be a good experience for the Carter's executive management team to attend, and he asked me to coordinate these arrangements with his secretary, Robin Owen.

4. Ms. Reippenhoff informed me that tickets to the event cost \$1,000 and that the tickets could be purchased by personal checks from the individuals attending the event, made out to Chambliss for Senate. I did not think about this procedure one way or the other, and did not discuss it with Ms. Reippenhoff,

25044111500

with anyone from the Chambliss for Senate campaign, with my husband, or with anyone else.

5. I called Ms. Owen and relayed to her the payment information that I had received from Ms. Reippenhoff. Fred brought home the checks from the other people attending the speech. Ms. Reippenhoff and I then brought the checks to a storefront with a Chambliss for Senate sign on the front. We dropped off the checks and picked up our tickets. We were not asked by anyone at that location to fill out any forms or other papers.

6. I attended the event with my husband and the Carter's executive staff and their wives. My husband and I never discussed whether the event was a political fundraiser or whether Carter's would reimburse the cost of the ticket.

Bernice Rowan

SUBSCRIBED and SWORN before me
this ____ day of _____, 2004.

Notary Public

My Commission expires: _____

25044111501

AFFIDAVIT OF FREDERICK J. ROWAN, II

Frederick J. Rowan, II, being duly sworn, hereby deposes and states:

1. I am the Chairman and Chief Executive Officer of Carter's, Inc., located in Atlanta, Georgia.

2. In March 2002 my wife, Bernice Rowan, informed me that President Bush was coming to Atlanta and that we could buy tickets to a dinner at which he was going to speak. My wife told me she learned of this opportunity from her friend, Ms. Susan Riepenhoff, whose daughter was then working in the White House and had informed her mother of the event.

3. I viewed President Bush's upcoming speech as a terrific opportunity, both personally and professionally. Personally, my wife and I would have an opportunity to see the President in person. Professionally, the event appealed to me as a chance for the Carter's executive management team to have a motivational and management-building experience. I talked with the executive management team about the situation (Joe Pacifico, Charlie Whetzel, David Brown, and Mike Casey) and we decided it would be a great experience for us to go to the event with our spouses. I did not appreciate the fact that the Bush speech was part of a campaign fundraising event.

25044111502

25044111503

4. I asked my secretary, Ms. Robin Owen, to speak with my wife and handle arrangements for attending the Bush speech. An initial step involved providing to the event organizers the social security number and date of birth of each person attending, which I understood to be a security measure for the President's safety. Attachment 1.

5. On March 25, 2002, Ms. Owen sent an e-mail message to the executive management team stating that they should write checks individually for them and their wives, for \$1,000 for each of them, for the tickets to the Bush speech. Her message also stated that the checks were to be made payable to Chambliss for Senate. Attachment 2. I did not consider, nor did I discuss with anyone, why the payments had to be made individually for each person, or the nature of the payee on those checks.

6. Later in the day on March 25, 2002, I had Ms. Owen send out another e-mail message to the executive management team, indicating that they should submit the cost of the event for reimbursement as a business expense. I viewed the event as an excellent team-building experience of the sort I try to arrange for the management team from time to time, and I deemed it an appropriate company expenditure for that reason. Attachment 3.

25044111504

7. My wife, Bernice Rowan, wrote the check for the tickets for her and me. Attachment 4.

8. I did not understand that the event was a campaign fundraiser. I thought of it strictly as an event featuring the President of the United States. Although I was not thinking of the subject at the time, I also was not then aware that corporations are prohibited from making contributions to political campaigns or that, as a result, corporations may not reimburse their employees for such contributions. Even if this may appear naïve in retrospect, at no time did I think that any of us, or the Company, was making a donation to Mr. Chambliss's campaign.

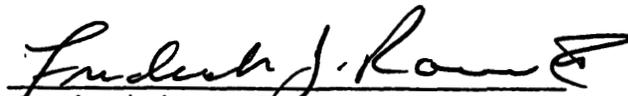
9. Ms. Owen received the checks from the other individuals who planned to attend the speech, and I brought them home to my wife, who managed the acquisition of the tickets.

10. Nine of us attended the Bush speech together (four couples and Mr. Pacifico, who came by himself). We attended as a group and did not really speak with any other people at the event. There was a very nice buffet, and two speakers appeared before President Bush delivered his speech. It was a very exciting occasion for me, and I was very satisfied with it as a motivational exercise for our group.

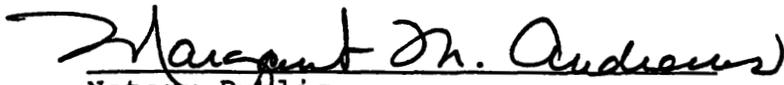
25044111505

11. My wife and I are not active in politics, and I cannot recall ever making a political contribution before.

12. In the early summer of this year, during the Company's review of its own internal controls, I learned that the reimbursements had violated federal election laws. My executive management team and I repaid the Company the amount of the tickets and resolved that the incident should be reported to the Federal Election Commission. Our Company has implemented new expense and other policies to help prevent any errors like this from happening again.


Frederick J. Rowan, II

SUBSCRIBED and SWORN before me
this 9 day of September 2004.


Notary Public

My Commission expires: Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

● carter's ●

celebrating childhood

①

Date. 3/22/02

Page 1 of 2

To: Bernice Rowan

Fax:

From: Robin Owen

Re: George Bush

fax



grow



explore



learn



play

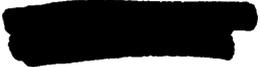
Bernice,

Please find the information you need to get the tickets to see George Bush on Wednesday, 3/27.

Merle Lukens Brown



David Alan Brown



Shelley Ann Stanley Whetzel



Charles Eugene Whetzel, Jr.



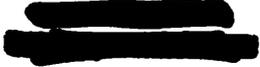
Michael Dennis Casey



Deborah Anne Casey



Joseph Pacifico



*Thanks,
Robin*

25044111506

Owen, Robin

From: Brown, Dave
Sent: Friday, March 22, 2002 7:38 AM
To: Owen, Robin
Subject: RE: Note from Fred

Robin.
Merle Lukens Brown - [REDACTED]

David Alan Brown - [REDACTED]

Thanks,
DAB

-----Original Message-----

From: Owen, Robin
Sent: Thursday, March 21, 2002 3:00 PM
To: Brown, Dave; Casey, Mike; Pacifico, Joe; Whetzel, Charlie
Cc: Boggess, Amy; Jones, Kirsten
Subject: Note from Fred

You and your spouses are all invited to hear George Bush speak next Wednesday, March 27th. I don't have all the details yet, but Bernice will be getting the tickets and needs all of your full names, birthdates and social security numbers. Please get this information to Robin ASAP; Bernice needs it by tomorrow.

Thanks,

Fred

25044111507

Whetzel, Charlie

From: Owen, Robin
Sent: Thursday, March 21, 2002 3:00 PM
To: Brown, Dave; Casey, Mike; Pacifico, Joe; Whetzel, Charlie
Cc: Boggess, Amy; Jones, Kirsten
Subject: Note from Fred

You and your spouses are all invited to hear George Bush speak next Wednesday, March 27th I don't have all the details yet, but Bernice will be getting the tickets and needs all of your full names, birthdates and social security numbers. Please get this information to Robin ASAP; Bernice needs it by tomorrow.

Thanks,

Fred

Shelley Ann Stanley Whetzel

[REDACTED]

[REDACTED]

Charles Eugene Whetzel JK.

[REDACTED]

[REDACTED]

25044111508

Casey, Mike

From: Owen, Robin
Sent: Thursday, March 21, 2002 3:00 PM
To: Brown, Dave, Casey, Mike; Pacifico, Joe; Whetzel, Charlie
Cc: Boggess, Amy; Jones, Kirsten
Subject: Note from Fred

You and your spouses are all invited to hear George Bush speak next Wednesday, March 27th. I don't have all the details yet, but Bernice will be getting the tickets and needs all of your full names, birthdates and social security numbers. Please get this information to Robin ASAP; Bernice needs it by tomorrow

Thanks,

Fred

Michael Dennis Casey
Deborah Anne Casey

████████████████████ ████████████████████
████████████████████ ████████████████████

25044111509

2

Owen, Robin

From: Owen, Robin
Sent: Monday, March 25, 2002 8:30 AM
To: Casey, Mike; Brown, Dave; Whetzel, Charlie; Pacifico, Joe
Cc: Boggess, Amy; Jones, Kirsten
Subject: George Bush

Bernice called me this morning. She needs to get a check from each of you today, she asked that you please give them to Fred to bring home. She thought she could write one check for all the tickets to see George Bush, but has been told due to government regulations everyone has to write their own check.

Please make the check payable to: **Chambliss For Senate**

The cost of the tickets are \$1,000.00 each. Everyone owes \$2,000.00 with the exception of Joe who owes \$1,000.00.

Thanks,

Robin

25044111510

3

Casey, Mike

From: Owen, Robin
Sent: Monday, March 25, 2002 4:17 PM
To: Brown, Dave; Casey, Mike; Pacifico, Joe; Whetzel, Charlie
Subject: Tickets to George Bush Event

You should expense the cost of the tickets to attend the George Bush Event.

Thanks,

Fred

25044111511

④

FRED J. ROWAN II
BERNICE T. ROWAN

ATLANTA, GA 30342

3/26/05

2219

Pay To The
Order Of

Chambliss for Senate \$2000.00
Ind. Thomas D. Dill

WACHOVIA

Wachovia Bank, N.A.
Atlanta, GA 30304

Memo

© HARLAND 2000

ENDORSE HERE

PAY TO THE ORDER OF
WACHOVIA BANK
FOR DEPOSIT ONLY
CHAMBLISS FOR U.S. SENATE

DO NOT SIGN / WRITE / STAMP BELOW THIS LINE
FOR FINANCIAL INSTITUTION USAGE ONLY.

ATL, GA 30323

FEDERAL RESERVE BOARD OF GOVERNORS REG. CC

D The following security features (and others not listed) exceed industry standards:
Security Features
Security Screen
Microprint Signature Line
Chemical Sensitivity
Fidelity Icon
Document appearance if altered:
* Absence or modification of "Original Document" screen on back of check
* Absence of tiny words or dotted line
* Colored stains or spots appear with chemical alteration
* Absence of Fidelity Icon
* Fidelity design is a certification mark of Check Payment Systems Association

3

25044111512

AFFIDAVIT OF CHARLES E. WHETZEL

Charles E. Whetzel, being duly sworn, hereby deposes and states:

1. I am the Executive Vice President—Global Sourcing for Carter's, Inc.

2. In March 2002, the Carter's executive officers and our wives attended a dinner with President George W. Bush. Tickets to the event cost \$1,000 per person. Fred Rowan, Chief Executive Officer at Carter's, had asked if my wife and I would like to attend and said he thought it would be a great opportunity for the executive officers. I was excited to attend the event. To purchase tickets for the dinner, I gave a check for \$2,000 to Mr. Rowan's secretary. Attachment 1. I also provided her with my and my wife's social security number.

3. The executive officers and our wives went to the dinner as a group, and it was a special night for us. I never made the connection that this was a political fundraiser. I thought of the dinner as a group event for our executive officer team, and it is the sort of group event that Fred Rowan sometimes organizes. I received an e-mail from Mr. Rowan, indicating that we should submit the cost of the event as a

25044111513

business expense to be reimbursed, and followed that course.

Attachment 2.

4. At the time of the dinner, I did not think one way or the other whether it was a political contribution. I did not appreciate then that corporations cannot make political contributions or that they may not reimburse their employees for making such contribution. I was also not aware that the Company had a policy from 1991 stating that employees would not be reimbursed for making political contributions. I do not recall ever making a political contribution before.

5. When I learned that this reimbursement violated federal election laws, I paid the Company back. The Company has also implemented new expense and related policies to ensure errors like this do not happen again.

Charles E. Whetzel
Charles E. Whetzel

SUBSCRIBED and SWORN before me
this 9 day of September 2004.

Margaret M. Andrews
Notary Public

My Commission expires: Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

2504911514

1

25044111515

CHARLES E. WHITZEL, JR. SHELLEY B. WHITZEL RIVINGTON, GA 30270	1558
<i>Ray 27, 2002</i>	03-29-02
<i>Check # 100</i>	\$2,000.00
<i>Two Thousand and 00/100</i>	
WACHSIA	
<i>Charles E. Whitzel, Jr.</i>	

PAID 03/29 2000.00

The William Carter Company

TRAVEL EXPENSE REPORT 2002



019223

2

<u>EMPLOYEE NAME (LAST FIRST, MI) PRINT</u> Whetzel, Charlie		<u>WORK LOCATION</u> Midtown	<u>COST CENTER</u> 9110-7
<u>EMPLOYEE'S SIGNATURE</u> <i>Charlie Whetzel</i>	<u>SUPERVISOR</u> <i>[Signature]</i>	<u>APPROVAL SIGNATURES</u> <i>[Signature]</i>	
<u>PERIOD COVERED</u> 2002 - March	<u>SECTOR V.P.</u>		

- Expense reports must be in ink or typewritten. Receipts must be attached and each report should cover a maximum period of one month.
- Reports must be submitted within 72 hours of return trip and every applicable item filled in clearly.
- Receipts are needed for all items.
- Section I of this report is to be used for employee's expenses.
- Auto: Personal Car - List mileage in appropriate column. Parking/tolls, list separately.
Rental Car - List amount of bill plus gas purchased for rental in its column.
- Commercial Transportation: List Air, Taxi, Bus, Train/fare, and Limousine.
- Tips - Include taxi/meal tips with taxi and meal charges. All other tips should be included under category "Bags/Tips"
- Lodging - Name of hotel and each days room expense (including tax) must be listed Separately.
- Section II - Entertainment: Is used for the total cost of a business meal and must include of least one non-employee. Entertainment expenditures must be shown separately in SECTION II.

EXPENSES

SECTION BELOW MUST HAVE ACCOUNT NUMBER

SECTION I	- Travel	160.55	11- 9110-7 - 504 - 001
	- Meals	50.94	11- 9110-7 - 504 - 002
	- Home Phone Bills	270.59	11- 9110-7 - 503 - 001
	- Samples	83.56	11- 9110-7 - 517 - 008
	- Office Supplies	20.00	11- 9110-7 - 501 - 011
	- Postage		11- - 501 - 012
	- Misc	2,000.00	11- 9110-7 - 599 - 099
	- Subscriptions	6.15	11- 9110-7 - 506 - 001
	- Other	439.52	11- 9110-7 - 599004
SECTION II	- Entertainment		11- 9110-7 - 504 - 003
Total Expenses		3,031.31 (A)	

ADVANCES

Cash Advance

Date: / / From: / /

11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -

Company Paid Expense

Hotel
Air
Other
Auto
Total Advances

11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -

(B) OUTSTANDING ADVANCES OR COMPANY PAID ITEMS

MUST BE DEDUCTED AT THIS TIME

Amount Due Employee (Company)

3,031.31 (A)

LESS (B)

[Handwritten signature]

25044111516

AFFIDAVIT OF SHELLEY WHETZEL

Shelley Whetzel, being duly sworn, hereby deposes and states:

1. In March 2002, my husband, Charles Whetzel, and I attended a dinner with the other executive officers of Carter's, Inc. at which President Bush gave a speech.

2. My husband and I did not have much discussion of the event. My husband and I never discussed payment for the event. My husband and I never discussed, and I did not know, that there is a law against corporate contributions to, or reimbursements of contributions to, political campaigns.

3. I did not understand at the time that the Bush speech was a political fundraiser, or that our payment for the tickets to the event could constitute a political contribution.


Shelley Whetzel

SUBSCRIBED and SWORN before me
this 9 day of September 2004.


Notary Public

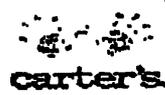
My Commission expires: _____ Notary Public
Spalding County, Georgia
Commission Expires Jan. 16, 2005

25044111518



The William Carter Company

TRAVEL EXPENSE REPORT 2002



<u>EMPLOYEE NAME (LAST, FIRST, MI) PRINT</u> Rowan, Fred J.		<u>WORK LOCATION</u> Midtown-Atlanta	<u>COST CENTER</u> 9110-7
<u>EMPLOYEE SIGNATURE</u> <i>Fred J. Rowan</i>		<u>APPROVAL SIGNATURES</u>	
<u>PERIOD COVERED</u> 2/22/02-3/24/02		<u>SUPERVISOR</u>	<u>SENIOR V.P.</u> <i>[Signature]</i>

- Expense reports must be in ink or typewritten: Receipts must be attached and each report should cover a maximum period of one month.
- Reports must be submitted within 72 hours of return trip and every applicable item filled in clearly.
- Receipts are needed for all items.
- Section I of this report is to be used for employee's expenses.
- Auto: Personal Car - List mileage in appropriate column. Parking/tolls, list separately. Rental Car - List amount of bill plus gas purchased for rental in its column.
- Commercial Transportation: List Air, Taxi, Bus, Train fares, and Limousine.
- Tips - Include taxi/meal tips with taxi and meal charges. All other tips should be included under category "Bugs/Tips".
- Lodging - Name of hotel and each days room expense (including tax) must be listed Separately.
- Section II - Entertainment: Is used for the total cost of a business meal and must include at least one non-employee. Entertainment expenditures must be shown separately in SECTION II.

005978

EXPENSES

SECTION BELOW MUST HAVE ACCOUNT NUMBER

SECTION I	- Travel	56.63	11-9110-7 - 504 - 001
	- Meals		11-9110-7 - 504 - 002
	- Home Phone Bills	71.10	11-9110-7 - 503 - 001
	- Samples		11-9110-7 - 517 - 008
	- Office Supplies		11-9110-7 - 501 - 011
	- Postage		11- - - 501 - 012
	- Misc		11-9110-7 - 599 - 099
	- Subscriptions		11-9110-7 - 506 - 001
	- Other		11-9110-7
SECTION II	- Entertainment	2,000.00	11-9110-7 - 504 - 003

Total Expenses 2,127.73 (A)

ADVANCES

Cash Advance

Date: / / From: _____

Company Paid Expense

Hotel _____

Air _____

Other _____

Auto _____

Total Advances _____

11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -
11 - 0001 - 1 - 353 -

APR 16 2002

(B) OUTSTANDING ADVANCES OR COMPANY PAID ITEMS

MUST BE DEDUCTED AT THIS TIME

2,127.73 (A) LESS (B)

Amount Due Employee (Company)

[Handwritten signature]

6

Brendan M. Gibbons
VP—General Counsel

INTERNAL MEMORANDUM

TO: Fred Rowan
FROM: Brendan Gibbons
DATE: July 12, 2004
RE: Political Campaign Committee Contribution

Through a recent inquiry, the Audit Committee has learned that in 2002 the Company erroneously reimbursed you for a payment of \$2,000 you made for a dinner with President Bush that benefited a political campaign committee. As we have discussed, this reimbursement appears to violate federal election laws and was inconsistent with the Company's 1991 expense reimbursement policies. Accordingly, individual repayment to the Company of that amount must be made.

As you know, the Company is committed to full compliance with all requirements of federal and state law, and relies on you and other members of the management team to implement this commitment. Consistent with the Company's updated policies, no payments to political candidates, political committees, or political campaign committees should be made, nor should any such payments by individuals be reimbursed by the Company.

25044111525

①

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE TRAVEL EXPENSE POLICY		EFFECTIVE DATE 7-1-91
	Supersedes policies dated January 1, 1987	PAGE 1 of 9	
	AUTHORIZED BY _____ CHIEF OPERATING OFFICER		
	VICE PRESIDENT FINANCE <i>[Signature]</i>		<i>[Signature]</i>

TRAVEL EXPENSE POLICY

The policy of The William Carter Company is to provide employees duly authorized to travel on behalf of the Company with adequate levels of transportation, lodging, meals and other services necessary to conduct the Company's business. It is the Company's intention that employees travel in reasonable comfort when away from home on business and expenses incurred should never be lavish or extravagant.

The 1986 Tax Reform Act has imposed a number of restrictions and mandated significant record-keeping requirements in the area of travel expense, meals and entertainment.

The law reduces the Company's deduction for business meals and entertainment by 20%. The cost of meals furnished to an employee are subject to reduction as are meal expenses incurred while travelling away from home. There is no deduction allowed for a meal not directly related to or associated with the conduct of business. Essentially, this means that there must be a substantial and bonafide business discussion preceding, during or directly after the meal.

Entertainment expenses are allowed if they are ordinary and necessary expenses incurred in normal operations. As noted under Code Sec. 274 (IRS regulations) they generally must be either directly related or associated with the active conduct of business.

An employee incurring necessary and reasonable expenses in authorized activity will be reimbursed upon presentation of a properly approved and documented expense report. The Executive approving the expenses is responsible for controlling travel costs and for ascertaining that the Company's policies are adhered to.

Expense reports should be submitted at least once per month. Retail field personnel will submit expense reports on a weekly basis.

25044111526

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE TRAVEL EXPENSE POLICY		EFFECTIVE DATE 7-1-91	
	Supersedes policies dated January 1, 1987	PAGE 2 of 9		
	AUTHORIZED BY [Signature]			CHIEF OPERATING OFFICER
	VICE PRESIDENT FINANCE [Signature]		[Signature]	

Credit Cards

Those employees who travel regularly on Company business will be provided with a Company American Express card. This card is to be used only for appropriate business-related expenses incurred by the individual as an employee of the Company. The individual will receive a regular monthly statement from AMEX for expenses charged. The cardholder alone has sole responsibility for payments to American Express and will be reimbursed for all approved travel and entertainment expenses via the submission of a properly completed expense report. Annual card fees should be included on the individual's expense report for reimbursement. Issuance of the AMEX card is on approval of the employee's Manager and the Vice President of Finance. Employee cardholders are required to maintain their individual accounts on a current basis at all times. Card privileges are subject to revocation if accounts go past due.

The Company maintains a main Business Travel Account with AMEX for the infrequent traveler to cover certain air travel/ rail travel expenses and lodging expenses. The B.T.A. charges are made directly to The William Carter Company for payment. The individuals are responsible for the recording of these expenses on their individual expense reports summarized as company-paid expenses on the designated lines.

Travel Advances

Travelling employees expecting to require cash where American Express is not accepted can request reasonable cash advances. All cash advances will be recorded in the General Ledger by the accounting group. Travel advances are to be settled after each expense submission.

Receipts

The Company requires receipts to support all expenditures made by an individual on behalf of the Company. There are times when the acquisition of a receipt is impractical. However, receipts are mandatory for all expenses of \$25.00 and higher. No reimbursements will be made for expenditures of \$25.00 or more without a proper receipt. Original receipts only are acceptable, no photocopies.

2504411527

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE TRAVEL EXPENSE POLICY		EFFECTIVE DATE 7-1-91
	Supercedes policies dated January 1, 1987	PAGE 3 of 9	
	AUTHORIZED BY <i>J.C. Long</i>		CHIEF OPERATING OFFICER <i>Steve Stauder</i>
	VICE PRESIDENT FINANCE		

Travel And Other Business Expenses

Business Purpose - A sufficiently descriptive explanation of the reason for the expenses must be given so that the expected business benefit to the Company is clear. If the business purpose of all expenses incurred during a reporting period is the same for all items of expense and all trips, then a written statement of business purpose need be made only once on each report submitted.

Transportation

Air/Rail - The least costly accommodations on trains and major airlines which meet essential requirements of a trip will be used for domestic travel. Business Class may be used for foreign travel. Domestic travel will include the continental United States, Alaska, Hawaii, Puerto Rico, Virgin Islands, Canada and Mexico. Foreign travel will include travel to and from other places. First class travel will only be used by the C.E.O., C.O.O. and the President of the William Carter Company. The remaining officers of the Company will be permitted to travel first class when air travel exceeds three hours of flight time. Premiums for travel insurance are not reimbursable, as all employees are insured for travel by the Company. Receipts for tickets shall be attached to the expense report to substantiate the expenditure.

Unused portions of tickets must be returned to the travel agency so credit can be claimed through American Express. The expense report must show both the charge and the credit - do not "net" the figures. Include in the expense report all portions of the ticket not returned to the travel agent.

Personal Automobile - the use of personal cars for business travel should be avoided where public transportation is suitable. If the trip is to be made by car, the total cost of the trip (including hotel, meals, mileage and all other expenses) must not exceed the total cost that would have been incurred had the trip been made by plane or train.

2504411528-

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE TRAVEL EXPENSE POLICY		EFFECTIVE DATE 7-1-91
	Supersedes policies dated January 1, 1987	PAGE 4 of 9	
	AUTHORIZED BY <i>[Signature]</i>	CHIEF OPERATING OFFICER	
	VICE PRESIDENT FINANCE <i>[Signature]</i>	<i>[Signature]</i>	

Employee owned automobiles used for Company business must be covered by Automobile Liability Insurance with bodily injury limits and property damage limits of not less than those required by the state in which the vehicle is registered. Under these conditions, an employee will be reimbursed for the use of his personal automobile on Company business at the rates prescribed by the Vice President of Finance, from time to time. Reimbursements for amounts in excess of those allowed by the Internal Revenue Service, if any, will be reported on each employee's W-2 Form. A schedule of interplant travel mileage is maintained and should be utilized for mill travel.

Local Transportation - Local transportation costs such as taxi and bus fare for travel to or from station or airport and to business meetings are reimbursable expenses. Scheduled bus or limousine transportation to and from airports should be used when available. Costs incurred for trips of sight-seeing or recreational nature are not reimbursable.

Auto Rental - Cost of rented cars is reimbursable only if the nature of the trip or the location of the business to be visited is such that use of public transportation is not practical or would otherwise be more expensive. Cost of insurance in connection with use of rented cars is not reimbursable except for foreign travel.

Cost of personal accident insurance or baggage insurance in connection with use of rented cars is not reimbursable.

Auto rental companies normally request the renter to accept or decline the Collision Damage Waiver. Employees must decline the CDW. Any expense charged by the rental company to the employee for damage to the vehicle shall be added to the employee's expense report. Notice must be sent to the Corporate Insurance Department in Shelton, Connecticut. No employee shall suffer any loss for collision damage costs while driving a rented car on Company business.

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE		EFFECTIVE DATE
	TRAVEL EXPENSE POLICY		7-1-91
	Supersedes policies dated	PAGE	
	January 1, 1987	5 of 9	
	AUTHORIZED BY	CHIEF OPERATING OFFICER	
	VICE PRESIDENT FINANCE		

Lodging

Employees travelling overnight on business will have hotel or motel accommodations which are safe, comfortable and reasonably priced. The cost of the hotel charge, plus applicable taxes, should be detailed each day on the expense report.

Any lodging charges, that are made to the Company AMEX B.T.A. account, should also be recorded as noted above and completed on the expense report as Company paid on the appropriate lines provided.

Meals

Cost of meals, including tips while travelling on business, is reimbursable. Cost of meals will vary with location and circumstances but must be reasonable in amount.

The cost of meals when dining alone or when having a business meal with another William Carter Company employee should be included on the expense report under the heading "meals", with appropriate explanation. The full cost of meals when dining with someone other than a William Carter Company employee should be included in "Entertainment", with appropriate explanation.

Telephone

The cost of all necessary business telephone calls and messages are reimbursable and must be indicated on the expense report.

A reasonable personal three (3) minute phone call home is allowable if the trip extends two nights or more.

Laundry

An employee should not be required to take an excessive amount of clothing on business trips. Accordingly, reasonable laundry and cleaning charges will be reimbursable for trips lasting more than four nights.

2504411530-

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE		EFFECTIVE DATE
	TRAVEL EXPENSE POLICY		7-1-91
	Supercedes policies dated	PAGE	
	January 1, 1987	6 of 9	
	AUTHORIZED BY	CHIEF OPERATING OFFICER	
	VICE PRESIDENT FINANCE	<i>[Signature]</i>	

Entertainment And Business Meals

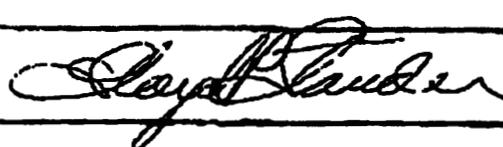
Entertainment - Entertainment means any activity generally regarded as entertainment, amusement or recreation where an employee participates. Reasonable expenditures for entertaining persons outside the Company who have an influence on Company business activities are reimbursable as follows:

- If the entertainment directly precedes, follows or is concurrent with a substantial and bonafide business discussion, including meetings at a convention; or
- If business was contemplated in connection with the entertainment but was prevented by circumstances beyond the employee's control;
- Expenditures for entertainment must not conflict with the standard of conduct or directives applicable to persons outside the Company. If in conflict, the expenses are not reimbursable.
- When more than one employee is present at a business meal or during entertainment, the senior executive is to pay the bill and submit the expenditure for reimbursement.

Business Meals and Business Meetings

- Cost of meals of persons with whom business is being conducted is reimbursable. Such "business meals" will not be considered entertainment unless persons other than business associates (customers, etc.) are also present.
- Cost of meals bought for Company personnel will be reimbursable only when related to a special conference, when outsiders are involved, or when travelling together on Company business.
- Expenditures for business meals and business meetings must not conflict with standards of conduct or directives applicable to persons outside the Company. If in conflict, the expenditures are not reimbursable.

25044111532

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE TRAVEL EXPENSE POLICY		EFFECTIVE DATE 7-1-91
	Supercedes policies dated January 1, 1987	PAGE 7 of 9	
	AUTHORIZED BY 	CHIEF OPERATING OFFICER 	
	VICE PRESIDENT, FINANCE		

Substantiation

- Cost of business meals, business meetings and entertainment must be substantiated by reporting:
 - a. Date
 - b. Place
 - c. Description
 - d. Amount of each separate expenditure, such as taxi, meals, tickets, etc.
 - e. Business purpose
 - f. Business relationship of guests

- "Business purpose" means the business reason or the nature of the business benefit expected to be derived. If entertainment is involved, the business purpose must indicate the nature of the business and the time and place of business meeting.

- "Business relationship" means name, title or other designation of the guests to establish their business relationship to The William Carter Company.

THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE TRAVEL EXPENSE POLICY		EFFECTIVE DATE 7-1-91
	Supersedes policies dated January 1, 1987	PAGE 8 of 9	
	AUTHORIZED BY	CHIEF OPERATING OFFICER	
	VICE PRESIDENT FINANCE		

Miscellaneous

Gratuities - Tips should be confined to reasonable limits as determined by the service required and received and should be included in the cost of service under the respective caption.

Incidentals - Costs of a business nature for such additional items as handling of baggage, postage, newspapers, parking, tolls and transportation (other than commutation) are reimbursable. Passports are reimbursable also when procured for Company business travel.

Foreign Currency - Overseas expenses are generally incurred in the local currency, the translation of which isn't usually known until at least a month later when the American Express bill arrives. The travelling employee should indicate in the appropriate columns the country in which the expense was incurred and the rate of exchange being used. Note: Employee should use best judgement of translation - usually rate in effect when charge is made. Once the AMEX bill arrives with the correct translation, the adjustment of plus/minus can be made on a subsequent expense report. For cash expenses, the rate experienced by the employee when purchasing foreign currency should be used and a record of such purchases included with the expense report.

Personal Allowed Expenses - Travelling employees are not expected to isolate themselves when on extended trips; reasonable daily personal expenses will be reimbursable by the Company if the trip extends four nights or includes a weekend (both Saturday and Sunday night).

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THE WILLIAM CARTER COMPANY Personnel Policies and Procedures	TITLE		EFFECTIVE DATE
	TRAVEL EXPENSE POLICY		7-1-91
	Supercedes policies dated	PAGE	
	January 1, 1987	9 of 9	
	AUTHORIZED BY	CHIEF OPERATING OFFICER	
	VICE PRESIDENT FINANCE	<i>[Signature]</i>	

Non-Reimbursable Expenses

Although not all-inclusive, the following are types of employee expenses that are not reimbursable:

- o Traffic tickets and fines
- o Theft, loss or damage to personal property. Cash advances are includible as personal property and subject to this restriction. Such advances become the property of the employee upon receipt.
- o Cost of regular commutation between employee's residence and his normal work locations.
- o Travel expenses for spouse and family unless specifically approved in advance by C.E.O. Approval must be attached to the expense report.
- o Expenditures for accessories, supplies, calculators, clothing, etc. of a personal nature.
- o Reimbursement for medical, dental and pharmaceutical expenditures - these will be either a charge for workmen's compensation, health insurance or personal.
- o Contributions to political campaigns, organizations or or activities.
- o Personal expenses, such as shoe shines, haircuts, manicures, saunas, etc.

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Expense Reimbursement and Travel Policy
Effective August 6, 2004

SCOPE

This policy applies to all Carter's (the "Company") employees. This policy supersedes any previously issued policy.

PURPOSE

This policy has been developed to provide guidance with respect to expense reimbursement to all Company employees under an "accountable expense reimbursement arrangement" as defined by Treasury Regulations section 1.62-2. Employees are reimbursed for "necessary and reasonable" expenses incurred in the performance of job-related responsibilities.

RESPONSIBILITY

Each employee is responsible for reading, understanding, and complying with this policy. Failure to follow this policy may result in an employee not receiving expected expense reimbursement and may lead to disciplinary action.

EXPENSE REPORT GUIDELINES

- Expense report forms are available on the Company's intranet under Finance/Finance Policies and Procedures/Expense Report.
- All expense reports must be reviewed and signed by the employee's functional group Vice President, Senior Vice President, Executive Vice President or President. The President and Chief Executive Officer's expense reports require the approval of the Chief Financial Officer. Expense reports of the Chief Financial Officer require the approval of the Chief Executive Officer.
- All expense reports submitted for processing must provide a clear explanation of the business purpose of the trip and expenditure.
- Any expenditure in the amount of \$25 or more requires a receipt to support reimbursement. Original receipts are required. Estimated or unsupported expenses will not be reimbursed.
- As further described in this policy, lodging, meals and incidental expenses for overnight travel away from home must be supported by a receipt for the amount,

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date on which the expense was incurred, and the location and business purpose of the trip. In addition, employees must substantiate any entertainment expenses, including meals while entertaining, the business relationship and names of the person or persons entertained. The support and substantiation must be documented in the entertainment section of the expense report. To qualify as a reimbursable business expense, the principal reason for the entertainment must clearly be related to a business purpose.

- The Company shall reimburse employees for use of personal automobiles for business purposes at a rate determined by the Chief Financial Officer based on IRS regulations. Such rate is set annually. Commuting between an employee's home and principal office is not reimbursable.
- All expenses other than those specifically addressed above must be supported by evidence sufficient to enable the reviewer to conclude that they are "necessary and reasonable" business expenses.
- If traveling outside the United States and using a foreign currency, employees must provide a U.S. dollar equivalent on all receipts next to each amount and the exchange rate used to calculate totals.
- Meals must be separated from hotel bills and reflected in the meal section of the expense report.
- Travel fees from Uniglobe that accompany airfare charges are to be reported in the commercial transportation section.
- Employees must submit business expenses to the Company no later than 30 days after the date the expense is paid or incurred.

Non-Reimbursable Expenses

As further described in this policy, the following are examples of items that will not be reimbursed by the Company:

- Unreasonable or excessive expenses
- Expenses not specifically related to the conduct of Company business
- Charitable contributions
- Political contributions
- Gifts to customers or vendors

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- Certain gifts to employees as further described in this policy
- Certain entertainment expenses
- Expenditures that are considered personal in nature include, but are not limited to, the following:
 - Travel-related items (e.g. briefcases, luggage)
 - Travel insurance
 - Personal expenses incurred on business (e.g. shoe shines, haircuts)
 - House-sitters or baby-sitters
 - Weather-related items (e.g. umbrellas, overshoes, overcoats)
 - Clothing and household items
 - Personal computer equipment - see the Company's "Policy on Purchase of Personal Computers"
 - Traffic tickets and fines
 - Theft, loss or damage to personal property
 - Medical, dental or pharmaceutical expenditures

Credit Cards

Those employees who travel regularly on Company business will be provided an American Express Corporate Card (subject to American Express acceptance criteria). This card is to be used for appropriate business-related expenses incurred by the employee. The employee will receive a regular monthly statement from American Express for expenses charged. The employee has sole responsibility for payments to American Express and will be reimbursed for all approved travel and entertainment expenses by submitting a properly completed expense report. Only annual American Express Corporate Card fees (this does not include fees for benefit rewards programs) should be included on the individual's expense report for reimbursement. Employee cardholders are required to maintain their individual accounts on a current basis at all times. Card privileges are subject to revocation if the cardholder agreement is violated.

Travel Advances

In the rare event an employee requires a travel advance, such request must be submitted to the Chief Financial Officer for approval. The Company's accounting group will monitor all cash advances. Travel advances are to be settled when each expense is submitted for processing and no new advance will be given until any outstanding advance is settled.

Employees must submit substantiated business expenses to the Company within a reasonable period of time after the expense is paid or incurred. Any expense shall be considered submitted and substantiated within a reasonable period of time if such

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expense, for which an advance is issued, is incurred within 30 days of the advance and substantiation is provided to the Company within 30 days of the date the expense is incurred.

Transportation

Uniglobe McIntosh Travel is the Company's travel service provider and should be used for all travel arrangements. Orbitz may be used if necessary. No other service provider should be used.

The least costly travel arrangements on trains and major airlines that meet essential requirements of a trip should be used for travel within the Continental United States, the Caribbean, Puerto Rico, the Virgin Islands, Canada and Mexico. Business class may be used for international travel. The Company does not permit first class travel unless pre-approved by the Chief Executive Officer.

In the rare event a spouse must travel with an employee, the cost of such travel will be reimbursed if there is clear business purpose to the expense and such cost is pre-approved by the Chief Executive Officer and Chief Financial Officer and reviewed with the Company's Tax Director.

Premiums for travel insurance are not reimbursable as the Company insures all employees for travel. Unused portions of airplane tickets must be returned to the travel agency so credit can be claimed through American Express.

Employees may use car services in situations only when the cost of the car service is less than either the cab fare or mileage/parking/tolls (which may occur when several employees are traveling together).

Auto Rentals

The cost of renting an automobile for business-related travel is reimbursable. The cost of personal accident or baggage insurance in connection with the use of a rental car is not reimbursable.

Auto rental companies normally request the renter to accept or decline the Collision Damage Waiver ("CDW"). Employees must decline the CDW. Any expense charged by the rental company to the employee for damage to the vehicle shall be added to the employee's expense report. No employee shall suffer any loss for collision damage costs while driving a rental car on Company business.

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Automobiles

Automobiles used for Company business must be covered by automobile liability insurance with bodily injury limits and property damage limits of not less than those required by the state in which the vehicle is registered. Under these conditions, an employee will be reimbursed for the use of his or her personal automobile on Company business at the rates approved by the Chief Financial Officer within the guidelines of the Internal Revenue Service.

Entertainment, Business Meals and Business Meetings

Entertainment, business meals and business meeting expenses must be ordinary and necessary expenses incurred in connection with Company business. The term "entertainment" includes various forms of recreation, amusement, food and beverages. Any business entertainment expense must meet these additional requirements:

- The employee must document a specific desired business benefit (other than the goodwill of the person or persons entertained) for the entertainment.
- The employee must document the business meeting or business discussion that took place during, immediately before or immediately after the entertainment.
- The main purpose for the entertainment must be the active conduct of business.
- Expenses of a non-business guest will not be reimbursed.

Cost of business meals, business meetings and entertainment must be substantiated by reporting the following:

- Date
- Place
- Amount of each expenditure, such as taxi, meals, tickets, etc.
- Business purpose – specific desired business benefit
- Name(s) of guest(s) and business relationship of guests

These additional requirements and substantiation apply to all entertainment including "Outings" and "Entertaining Guests at Home" addressed below.

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Outings

The cost of any Company outing (golf, hunting, fishing or similar outing) will be reimbursed only if the documentation of the related expenditures clearly reflects that such expenditures were directly related to a business purpose and meets all the additional requirements and substantiation for a business entertainment expense. No personal related items (i.e. clothing or gifts) purchased in connection with the outing will be reimbursed.

Expenditures for outings in excess of \$1,500 require the pre-approval of the Chief Executive Officer and Chief Financial Officer. Expenditures in excess of \$20,000 require the pre-approval of the Audit Committee.

On an annual basis, the Chief Financial Officer will provide the Audit Committee with a summary of expenses incurred in connection with Company outings.

Lodging

Employees traveling overnight on business will have lodging accommodations that are safe, comfortable and reasonably priced. The cost of the lodging, plus applicable taxes, must be detailed each day on the expense report. The cost of hotel movies will not be reimbursed. Reasonable gratuities paid in connection with lodging will be reimbursed.

Telephone

The cost of all necessary business telephone calls, reasonable personal phone calls while traveling on business are reimbursable and must be documented on the expense report.

Laundry

Employees are not expected to take an unreasonable amount of clothing on business trips. Accordingly, reasonable laundry and cleaning charges will be reimbursable for trips lasting longer than four nights.

Miscellaneous Guidance on Expense Reimbursement

Gratuities – Tips should be confined to reasonable limits as determined by the service required and received and should be included in the cost of service under the respective caption of the expense report.

Incidentals – Costs of a business nature for such additional items as handling of baggage, postage, parking, tolls and transportation (other than commuting) are reimbursable. Passports are reimbursable also when obtained for Company business travel.

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Purchased Samples – See Company’s “Policy on Purchased Samples.”

Personal Expenses –When on extended trips, reasonable daily personal expenses will be reimbursable by the Company if the trip is more than four nights of lodging or includes a weekend (both Saturday and Sunday night).

Preferred Partners – Carter’s has negotiated special rates and discounts with major airline, hotel and rental car agencies (refer to Exhibit A). Travelers must use the Company’s Preferred Partners unless there are lower rates available with other vendors for similar offerings. If our Preferred Partners are not utilized, a written explanation of the reason for using another major airline or car rental agency must be provided (this does not apply to international travel).

Reservations should be made as soon as possible as travel plans are finalized in order to receive advance purchase discounts. Generally, significantly lower rates can be obtained with the major airlines if plans are finalized and purchased at least seven days in advance of travel.

Entertaining Guests at Home – The cost of in-town parties or entertaining business guests at home is reimbursable with advance approval of the Chief Executive Officer and Chief Financial Officer and documentation of the business purpose of the expense including all the additional requirements and substantiation for a business entertainment expense. Such expenses will be limited to food, beverages and reasonable and necessary services directly related to the entertainment.

Wear Test – The Company’s “wear test” program has been terminated. Any purchases of Carter’s products will not be reimbursed unless a clear business purpose of such transaction has been established as required by the Company’s policy on expense reimbursement.

Trip Cancellation Costs – In the event the demands of an employee’s job responsibilities conflict with, and result in cancellation of a personal vacation, the costs incurred by the employee, as a direct result of such conflict and cancellation, may be reimbursable by the Company. Reimbursement of any such cancellation costs require the approval of the Chief Executive Officer. Reimbursement of any cancellation costs in excess of \$5,000 require the approval of the Audit Committee.

Gifts to Employees – Certain gifts to employees may be reimbursable such as employee recognition (i.e. 10 year service award). Reimbursements will be processed, provided such gifts meet all the following criteria:

- Expense was incurred by Vice President level or higher
- Expense was incurred for a specific business purpose or for a specific motivational/reward purpose

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- The nature and dollar value of the gift should be appropriate given the circumstances. Gifts will be processed through the Company's accounting group and such gifts will be included in the compensation of the person receiving the gift in accordance with the IRS regulations. Generally gift certificates of more than \$25 and merchandise worth more than \$75 per employee per year is included in compensation. A qualified "employee achievement award" means merchandise that is (1) awarded to an employee for length of service achievement or safety achievement and (2) awarded as part of a meaningful presentation. Gifts that meet the criteria of an "employee achievement award" are includable in income only if the value of such gift is more than \$400.

Gifts to (or from) Customers and Vendors – Business gifts to customers and vendors are prohibited and will not be reimbursed.

No employee should receive a gift worth more than \$25 from a customer or vendor on an annual basis.

Employee Contributions – Contributions by employees to any organization (charitable, educational, religious, civic) will not be reimbursed by the Company. See Company's policy with respect to "Corporate Contributions."

Political Contributions – Under federal law, a corporation may not reimburse employees for political contributions. Accordingly, employees will not be reimbursed for such contributions.

Expense Report Processing

- All approved expense reports must be forwarded to the Company's accounting department for review and processing.
- Any expenses submitted for reimbursement not in accordance with this policy will be submitted to the Chief Financial Officer for review.
- The internal audit group will present to the Audit Committee an annual plan which reflects the scope of their review of expense reports and will report to the Audit Committee its observations on a periodic basis.

Carter's Preferred Partners

Exhibit A

Airlines

- Delta Airlines for domestic travel

Lodging

- Hilton Properties (Hilton, Doubletree, Embassy Suites, Hampton Inn, Hilton Garden Inn, Homewood Suites) and Essex House
- Marriott Properties (Marriott, Courtyard, Residence Inn, Fairfield Inn, Towne Place Suites)

Atlanta, GA Hotels

- Four Seasons
- Marriott Midtown Suites

Rental Car

- Avis
- Budget (backup)

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Policy on Purchased Samples
Effective August 18, 2004

Policy

The Company recognizes the need for those employees involved in the product development process to purchase garments or other items which provide an example of a superior product feature or attribute (i.e. color, art, fabric, construction) relative to Carter's products.

Each functional group Vice President involved in the product development process will establish an annual budget for purchased samples and will be responsible for monitoring the actual cost of purchased samples.

The employee authorized to approve the expense report must ensure that any adult garments purchased as samples are defaced prior to authorizing the reimbursement of the cost of a sample. To deface a garment, a fist size hole must be cut in the sample. Children's garments purchased as samples do not need to be defaced.

For non-apparel samples purchased, the employee approving reimbursement must ensure the item is sufficiently defaced in a way that no personal benefit from the item purchased is possible.

The Executive Vice President of Marketing is responsible for designating those employees authorized to purchase samples.

The accounting group processing expense reports will maintain a summary of employees purchasing samples and related dollar amounts. Such summary will be provided to the Executive Vice President of Marketing on a quarterly basis.

On an annual basis, the Chief Financial Officer will provide the Audit Committee an analysis of the cost of purchased samples.

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**Policy on Related Party Transactions
Effective August 18, 2004**

Definition of Related Parties

The Company considers the following to be related parties:

- 1) Any director or executive officer of the Company;
- 2) Any nominee for election as a director;
- 3) Any security holder who is known to the Company to own more than five percent of any class of the Company's voting securities; and
- 4) Any member of the immediate family of any of the parties listed above including such party's spouse; parents; children; siblings; mothers and fathers-in-law; sons and daughters-in-law; and brothers and sisters-in-law

Policy

In addition to the Company's reporting obligations under Federal Securities Laws, the Chief Financial Officer shall review all related party transactions and determine and document whether such transactions are fair and advantageous to the Company and its shareholders.

If any such related party transaction involves more than \$10,000 per annum, the Chief Financial Officer shall notify and seek approval from the Audit Committee. The Chief Financial Officer shall review all related party transactions with the Audit Committee annually.

The Company will disclose to the Audit Committee any employment of a related party by a customer or vendor of the Company.

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